



COMMONWEALTH OF VIRGINIA

Department of the Treasury

JODY M. WAGNER
TREASURER OF VIRGINIA

P. O. BOX 1879
RICHMOND, VA. 23218
(804) 225-2142

July 5, 2005

MEMORANDUM

TO: Commonwealth School Superintendents

FROM: Jody M. Wagner, on behalf of
James J. Wheaton, Chairman, Virginia Public School Authority

SUBJECT: Virginia Public School Authority School Financing Bonds
(1997 Resolution) Series 2005 D

The Virginia Public School Authority ("VPSA") is moving forward with the sale of its School Financing Bonds (1997 Resolution) Series 2005 D, tentatively scheduled to sell on or about October 12, 2005, with funds becoming available to localities on or about November 10, 2005. The VPSA Series 2005 D bonds are expected to be issued under the 1997 Resolution. The purpose of this memorandum is to provide localities with notice of the sale and direction to the electronic information regarding the application for inclusion in the financing.

The electronic information package, including the application forms, is available at the Department of the Treasury home page on the Internet at:

<http://www.trs.virginia.gov/debt/application.asp>

This package will better acquaint you with the VPSA financing program. Please access the Internet address shown above to secure the forms and instructions needed to submit an application for participation in the Series 2005 D bond sale. The information includes:

- < Attachment A - Background information on the VPSA, State Aid Intercept and State Non-Arbitrage Program ("SNAP")
- < Attachment B - Application for participation in the bond sale
- < Attachment C - Tentative financing schedule

The application is divided into three sections; (i) General Information, (ii) Project Information and (iii) Project Authorization. Sections (i) and (iii) must be fully completed by every applicant. Section (ii), Project Information, provides for either long-term project financing (e.g., eleven years or longer financing) or intermediate-term project financing (e.g., equipment financing). Please complete the appropriate questions according to the useful life of the project(s) being financed.

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The VPSA is structuring the financing to purchase each locality's local school bonds for a price substantially equal to the amount of proceeds the locality has requested. This method of structuring is intended to assure that the purchase price VPSA pays will finance projects adequately and at the same time accommodate a range of possible loan maturities and amortization schedules within the participant pool. As in prior transactions, actual market conditions will be evaluated in the pricing and sizing of the transaction. VPSA expects to resize to the extent permitted the par amount of local school bonds on the VPSA sale date. For example, if a locality's requested loan maturity and amortization schedule results in a local school bond that is valued at a price of par plus a premium, VPSA intends to decrease the par amount of bonds sufficient to provide proceeds approximately equal to, but not less than, the amount of proceeds requested. Conversely, if a locality's requested loan maturity and amortization schedule results in a bond that is valued at a price of par less a discount VPSA is willing, at your request, to increase the amount of bonds sufficient to generate the proceeds requested. To do so the locality must authorize additional bonds (up to 5%) in excess of the amount of proceeds requested.

In general, the VPSA would expect to downsize the par amount of bonds with relatively more rapid amortization schedules (shorter maturities, level principal) and the VPSA would expect to upsize the par amount of bonds with relatively slower amortization schedules (deferred principal, longer maturities, level debt service). **Because the VPSA cannot predict the interest rate coupon structure of the winning bid, the VPSA is requesting that each locality authorize a "not to exceed" or "up to" principal amount of bonds that is sufficiently in excess of the amount of proceeds requested. In the event a locality's bond structure would result in a discount purchase price and no additional bonds are authorized above the proceeds amount requested, the resulting purchase price paid will reflect the discount thereby resulting in a purchase price less than the requested amount.**

Should you require a minimum or specific amount of proceeds (as for example the refunding of an interim obligation), please indicate this on the application form. In order to meet such proceeds requests it will be necessary to have sufficiently broad bond issuance authority to accommodate adjustments in the par amount of local school bonds issued at the time of the VPSA bond sale. Documents should be prepared accordingly.

As you complete your application, examine the time schedule carefully. Please note that given the requirements for governing body and school board meetings, public notices and a public hearing, you must procure the services of a qualified bond counsel prior to submitting your application for participation in the VPSA Series 2005 D bond sale. If you submit an application to participate in the sale, we will make available to you and your bond counsel a copy of the Bond Sale Agreement on or before September 12, 2005. We are including Appendix E of the Bond Sale Agreement in advance to facilitate early authorization of bond issuance by your governing body*. We anticipate that the

* The provisions of this resolution may be combined with the resolution approving the submission of the application.

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local school bonds will pay interest semiannually on January 15 and July 15. The first interest payment would be due on **July 15, 2006** and the first principal installment would be payable on **July 15, 2006**. **Localities wishing to participate in the VPSA Series 2005 D bond sale must email a letter expressing that interest along with the completed application form by August 31, 2005 to vpsa@trs.virginia.gov.**

Please ensure that the minutes for any resolution/ordinance taken by your school board and board of supervisors/council enumerate by name each board/council member voting, and the member's vote (or abstention). The Virginia Supreme Court in Town of Madison v. Ford held that the minutes of the town council's meeting stating that all members were present and that the motion to adopt ordinance carried unanimously, were **insufficient** to comply with Article VII, Section 7 of the Virginia Constitution. That provision states, "On final vote on any ordinance or resolution, the name of each member voting and how he voted shall be recorded." The forthcoming Bond Sale Agreement resolution forms will accommodate this requirement.

The application requires that both your governing body and school board submit resolutions authorizing the application. Please submit signed copies of these resolutions when your application is submitted. If it is not possible to submit the resolutions when the application is due, please forward the resolutions to the VPSA no later than September 2, 2005.

As noted above, a copy of the application may be obtained at the Department of the Treasury home page on the Internet at <http://www.trs.state.va.us/>.

Should you have any questions, please do not hesitate to call Rick Davis at (804) 225-4928 or Michael Walsh at (804) 225-4926.

JMW:rad

Attachments

c: VPSA Board of Commissioners
Dora D. Fazzini
Director of Debt Management
Richard A. Davis
Public Finance Manager
Michael D. Walsh
Senior Public Finance Analyst
Stephanie L. Hamlett, Esq.
Office of the Attorney General
Daniel S. Timberlake
Department of Education
A. Francis Robinson, Jr., Esq.
Sidley Austin Brown & Wood LLP

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Matthew M. Hughey, Esq.
Sidley Austin Brown & Wood LLP
John J. Conrad
BB&T Capital Markets
Barbara L. Fava
SNAP Coordinator